GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:2474
ANSWERED ON:07.03.2003
NON- PRIORITY SECTOR LENDING BY RRB
ALE NARENDRA

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether the original guidelines have been relaxed in the case ol RRBs and theyhave allowed greater non-priority sGctoi bounding and investment recently in the name of viability:

(b) iF so. ihe guidelines in force presently with regard to lending powtyi of RRBs; and

(c) the functional differences between the bank branches of commercial banks and RRBs presently?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL).

(a) and (b) Regional Rural Banks (RRBs) were established with a view to developing therural economy by providing credit and other facilities particularly to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs in the rural sector. Howovei, sustained viability of operations is necessary it the RRBs are to meet theobjectives for which these have been established. Accordingly, the Government/Reserve Bank of India (RBI) have taken number ot slops to improve viability of operations of RRBs which covei, uilui-ahu, deregulation of interest rates and widening the ianye and scope of services. In addition to these. RBI have stipulated that beginning 1st April, 1997, the advances ol RRBs to priority sector borrowers should constitute 40% o! their outstandingadvances as in the case of Commercial Banks. With the overall target of 40% the advancesgranted to weaker sections of the society should constitute not less than 25% of the priority sector advances (10% of total outstanding advances). In order to enable the RRBsto broad-base their investment portfolio. RBI has accorded parity to the RRBs withcommercial banks in regard to the choice of investment avenues subject io observance of exposure norms in force from time to tune. These measures have been primarily aimed at improving the viability of the RRBs. At the same time RRBs continue to fulfil theirobligation of extending institutional credit primarily to the borrowers in the prionty sector.

(c) There is not much functional difference between the commercial bank branches and RRBbranches except that the commercial bank branches provide wider range of financial and banking services compared to RRB branches. HHUs have been permitted to operate only within the notiliod area i.e. mainly in rural areas.